# Iowa Racing and Gaming Commission

Annual Report

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#### IOWA RACING AND GAMING COMMISSION



March 1, 2001

The Honorable Thomas J. Vilsack Governor of Iowa State Capitol Des Moines, Iowa 50319

Dear Governor Vilsack:

## I: <u>RACING AND GAMING GROWTH IN THE 1990's: SPECTACULAR ECONOMIC SYNERGY</u>

For more than four decades (1931-1976), only one state legalized casino gambling. In 1976, New Jersey voters approved gaming in Atlantic City. Then in 1989, the Iowa Legislature authorized riverboat casinos, which is reputed to have been the genesis for gambling activity's most significant growth of the past century, with the number of states permitting casinos rising to eleven by the conclusion of the 1990's decade.

Beyond that action, the legislature in 1994 lifted the legal limit on betting and afforded racetrack operations the opportunity to have casinos. That change marked a dramatic impact in activity levels with a resultant astronomical increase in state gaming revenues of 1822%. As Chart I reveals, the 1994 receipt level of \$8.5 million escalated to \$163.4 million by 1999, and could pass the \$200 million mark by 2002.

During a similar period of time, lottery receipts in the General Fund began to decline from its high of \$47.8 million in 1995 to \$37.1 million by 1999, representing a 22% decline with receipt comparisons shown on Chart II. The mercurial increase of racing and gaming receipts versus the net decline in lottery receipt transfers makes for an interesting contrast when compared with the direction of General Fund receipts for the period 1994 through FY 2000. As Chart III illustrates, the General Fund receipts grew by 25.7% during a period when lottery transfers declined by 23.7%. Even more spectacular is the contrast with racing and gaming receipts which increased by 2000%.

The post 1994 years also brought forth the second largest change in the number of licensees, with the number of riverboats advancing from six to ten, and the number of tracks declining by one from four to three, resulting in the combined total rising from ten to thirteen. Chart IV

tracks the total number of licensees from the opening of the first facility in 1985, up through the advent of the riverboats in 1991, through the current level of thirteen by January in the year 2000.

However, the most sensational change lies in historic revenue advances and spectacular economic synergy that has transpired in the decade of the 1990's. Chart V illustrates these changes, with the numerical I devoted to tax revenue enhancements.

Changes from '80's to '90's were:

- a. City or County tax Up \$16.7 million for a 429% gain
- b. Total Local Taxes Up \$33 million for a gain of 428%
- c. Transfers, Rent, Property Taxes, Etc. Up \$187.6 million for a gain of 5,879%
- d. Combined Local Benefit Up \$220.9 million for a gain of 2,027%
- e. State Tax Revenues\* Up \$642.7 million for a gain of 1,879%

#### II. ECONOMIC ENHANCERS

- a. Charitable Contributions Up \$222.3 million for a gain of 1,710%
- b. Facilities & Improvements Up \$1,080 billion for a gain of 2,769%
- c. Salaries & Benefits Up \$970.9 million for a gain of 3,194%
- d. Supplies Purchased Up \$891 million for a gain of 4,436%

These figures reveal that the racing and gaming activity generated over \$908 million in tax revenues during the '90's, up from \$45 million in the '80's. Economic enhancers increased by 3,538% in the decade of the 1990's versus the 1980's, reaching \$3.2 trillion. Collectively, the industry provided the state's economy with a total input exceeding \$4.1 trillion during the decade of the 1990's versus \$136.4 million during the 1980's, representing a 3,032% increase.

As a result of these tax revenue enhancements, the legislature is now committing over \$100 million annually to infrastructure improvements in addition to \$15 million annually for the "Vision Iowa" program, plus another \$5 million for special infrastructure needs.

Within the private sector, the racing program of Iowa has precipitated a 50% increase in the racehorse population from 1995 through 1999. The state horse racing industry activity now generates \$132 million in other sector economic activity annually.

All of this economic stimuli takes on a much greater implication for a state which rounded out the 1990's decade as the ninth slowest growing state, following the 1980's when Iowa ranked as the third slowest growth state in the nation. The racing and gaming industry became a major component of Iowa's economic vitality during the 1990's.

Even more proudly, the Commissioners, and its competent staff, have maintained a dedication to the highest level of integrity in the midst of this historic economic growth within the Iowa industry. We remain vigilant, especially when we note in neighboring Minnesota that they have uncovered 40 employees of Canterbury Park with criminal records. Likewise, our neighbor to the south, Missouri, has been plagued with a multitude of problems resulting in 39 serious violations and fines totaling over \$1.87 million with a comparable number of licensees. (14 versus 13)

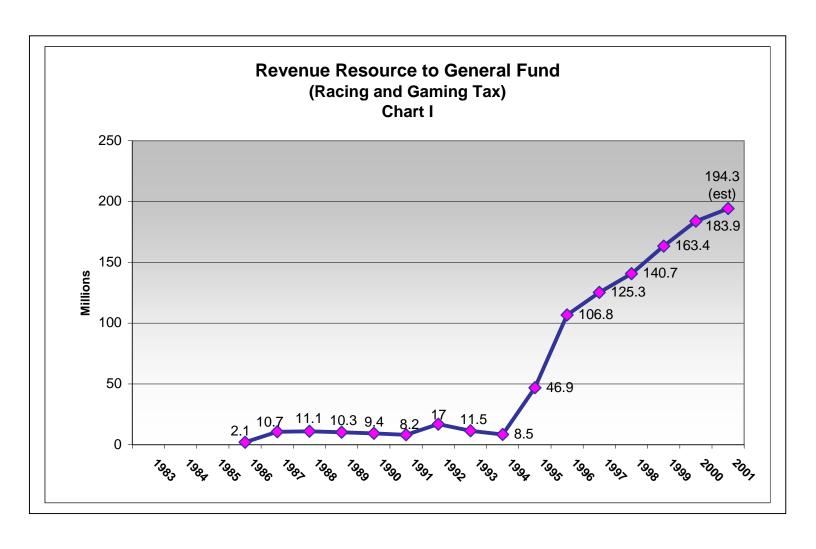
For all of our successes and responsibilities shared by the five Iowa Commissioners, we once more acknowledge our competent Administrator, Jack Ketterer, and our tireless nine staffers in the main office. These people are a constant source of information and support, which is so vital to the Commissioners in the formulation of Commission policies and direction. We likewise are mindful of the contribution and appreciate the support service provided by the field staff of 48 plus the 71 special agents with the Division of Criminal Investigation. We would be remiss if we did not acknowledge the cooperative nature of our thirteen licensees and their staffers with whom we must interact to assure our mutual goals.

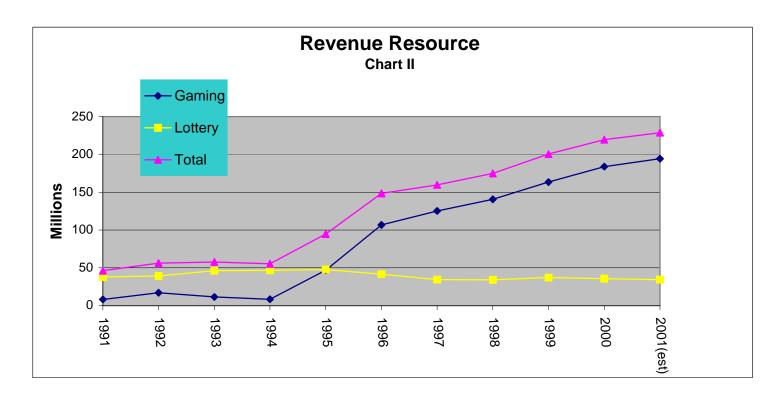
The economic vitality of this industry is apparent from the reported data. Less visible, but inevitably intertwined in these comprehensive achievements is the fact that missions and goals cannot be attained without common commitment. I commend my fellow commissioners, our staff, and the licensees for being mutually committed to economic success and vitality without marginalizing integrity at any turn in the road.

Sincerely,

W. R. "Bill" Hansen, Chair

Iowa Racing & Gaming Commission

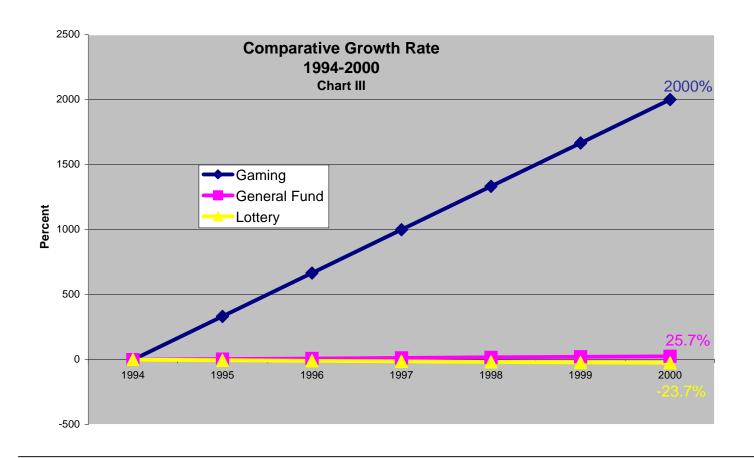




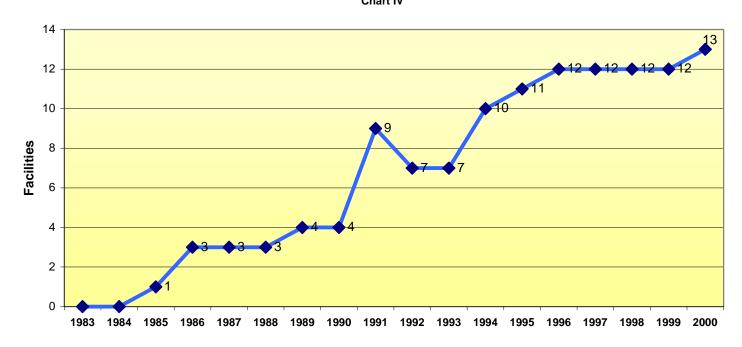
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001(est)
Gaming	8.2	17	11.5	8.5	46.9	106.8	125.3	140.7	163.4	183.9	194.3
Lottery	38	39.3	46.2	46.8	47.8	41.7	34.5	34.2	37.1	35.7	34.5
Total (millions)	\$46.2	\$56.3	\$57.7	\$55.3	\$94.7	\$148.5	\$159.8	\$174.9	\$200.5	\$219.6	\$228.8

Total General							
Fund Receipts							
and Transfers \$3,241.8 \$3,400.2	\$3,427.1 \$3,635.4	\$3,863.9 \$4,077.8	\$4,296.8	\$4,413.4	\$4,369.3	\$4,569.4	\$4,743.6

Source: Legislative Fiscal Bureau



## Change in Number of Facilities



Note: Tracks were original licensees. Riverboats were added starting in 1991. Source: Iowa Racing and Gaming Commission

#### **CHART V**

I. TAX REVENUE ENHANCEMENTS									
I. TAX NEVEROL ENTIANCEMENTS	<u>1980's</u>	<u>1990's</u>	<u>\$ CHANGE</u>	% CHANGE					
A. City or County	\$3,886,690	\$20,558,924	\$16,672,234	429%					
B. Total Local Tax	\$7,773,380	\$41,117,848	\$33,344,468	428%					
C. Transfers, Rent, Property Tax, Etc.	\$3,191,300	\$190,803,479	\$187,612,179	5879%					
D. TOTAL LOCAL	\$10,964,680	\$231,921,327	\$220,956,647	2027%					
E. State Tax	\$34,200,000	\$676,900,000	\$642,700,000	1879%					
Tax Subtotal (1)	\$45,164,680	\$908,821,327		1912%					
II. ECONOMIC ENHANCERS									
A. Charitables	\$1,304,207	\$223,629,923	\$222,325,716	1710%					
B. Facilities & Improvements	\$39,434,635	\$1,119,881,736	\$1,080,447,101	2769%					
C. Salaries & Benefits	\$30,396,801	\$973,969,533	\$970,929,853	3194%					
D. Supplies Purchased (2)	\$20,143,875	\$911,783,370	\$891,639,495	4436%					
Subtotal	\$91,279,518	\$3,229,264,562		3538%					
GRAND TOTAL	\$136,444,198	\$4,138,085,889		3032%					

#### FOOTNOTES:

<sup>1.</sup> Tax figures relate to state gaming tax only, which is undesignated and does not include admission taxes intended for operational costs nor treatment tax, originally intended for problem gamblers.

<sup>2</sup> Supplies purchased include estimates since some numbers from the 1980's were not available.

#### **COMMISSION MEETINGS**

During 2000, the Iowa Racing & Gaming Commission (IRGC) met ten times. No telephonic meetings were held. Minutes of each meeting are kept on file in the Commission office, and are available to the public upon request. The minutes are also available on the Commission's web page at www3.state.ia.us/irgc/. Highlights of the meetings follow.

January 20, 2000 – The Commission met at the West Des Moines Marriott, West Des Moines, Iowa. Amendments to rules were approved under Notice of Intended Action and Final Adopt. Prairie Meadows Racetrack & Casino (PMR&C) submitted, and the Commission approved, their Season Approval request for the upcoming Thoroughbred Meet. The Commission also approved an amendment to a 5-Year Agreement regarding horse purses; schedule regarding capital improvements, and a conditional racing license for PMR&C. Following a lengthy discussion, the Commission approved the Arbitration Decision as submitted for Iowa West Racing Association (IWRA) and the Iowa Greyhound Association (IGA). IWRA/Bluffs Run Casino presented an expansion plan, which the Commission approved. The Commission approved applications for Upper Mississippi Gaming Corp./Isle of Capri Marquette and Scott County Regional Authority/Isle of Capri Bettendorf, L.C. for the Miss Marquette and Lady Luck Bettendorf respectively. IRGC staff submitted, and the Commission approved, a master plan to comply with Executive Order No. 8, which required all state agencies to undertake a comprehensive review of their rules.

March 3, 2000 – The Commission met at the Holiday Inn Gateway Center in Ames, Iowa. There was a discussion concerning the diversion of funds from the Gambling Treatment Program. The Commission approved the following excursion gambling boat license renewal requests: Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos, L.C. -Catfish Bend Casino, Clinton County Gaming Association/Mississippi Belle II, Inc. – Mississippi Belle II, IWRA/Ameristar Casino Council Bluffs, Inc. - Ameristar II, Casino Hotel – Kanesville IWRA/Harveys Queen, Missouri River Historical Development/Belle of Sioux City, L.P. - Belle of Sioux City, Riverboat Development Authority/The Connelly Group, L.P. - The President, and Clarke County Development Corporation/Southern Iowa Gaming Company – Lakeside Casino Resort. Only the applicable portions of the following license renewal applications were approved due to the Commission's approval of the Isle of Capri applications for these facilities at its January meeting: Scott County Regional Authority/Lady Luck Bettendorf, L.C. – Lady Luck Bettendorf and Upper Mississippi Gaming Corporation/Lady Luck Marquette – Miss Marquette. The license for Dubuque Racing Association (DRA)/Peninsula Gaming Company, LLC for the Dubuque Diamond Jo (DDJ) was approved for one month, with the provision that the licensee and the City of Dubuque appear before the Commission at its April meeting to advise of any progress in the negotiations for a hotel. The Commission approved the 45-day plan for Dubuque Greyhound Park & Casino's live race meet. The Horse Racing Promotion Fund was distributed to the Iowa Thoroughbred Breeders and Owners Association, Iowa Harness Horsemen's Association and Iowa Quarter Horse Racing Association.

April 20, 2000 – The Commission met in the Convention Center at Lakeside Casino & Hotel in Osceola, Iowa. The Commission heard brief reports from each licensee, except The President, on their recent financial audits and a comparison of 1999 to 1998. The Commission approved the return of an \$8.8 million escrow account, plus interest, to the Greater Dubuque Riverboat Entertainment Company. Following a brief report on the negotiations between the City of Dubuque and Peninsula Gaming on the hotel, the Commission approved the license renewal of DRA/Peninsula Gaming Company, LLC to operate the DDJ. The Commission granted Ameristar Casino's request to increase the number of gaming positions on the riverboat by 86, for a total of 1,568 slot machines. The 45-day plan for the Mixed Meet at PMR&C was approved. Frank Biagioli, Executive Director of the Gamblers' Treatment Program, gave a presentation concerning the funding of said program.

May 18, 2000 – The Commission met at the Lady Luck Convention Center in Bettendorf, Iowa. The Commission approved a Notice of Intended Action on Rules rescinding Chapters 1, 5, 6, 20, 21 and 25, and putting in place new Chapters 1 and 5. The Commission approved a Stipulated Agreement with Ameristar Casino for allowing a minor to gain access to the casino floor. The Commission approved the meeting dates for FY 2001.

<u>June 15, 2000</u> - The Commission met at the West Des Moines Marriott, West Des Moines, Iowa. The Commission approved the Notice of Intended Action on amendments to the rules. The admission fee schedule for FY 2001 was approved.

<u>July 20, 2000</u> – The Commission met at the University Park Holiday Inn, West Des Moines, Iowa. W.R. "Bill" Hansen and Rita Sealock were elected to serve as Chair and Vice Chair respectively for the 2001 fiscal year. The Commission approved the final adoption of revised Chapters 1 and 5, and rescinded existing Chapters 1, 5, 6, 20, 21, and 25. They also approved rescinding the existing Chapter 10 and inserting a new Chapter 10 under Notice of Intended Action. The 45-day plan for the Harness Meet at PMR&C was approved. The Commission heard a report from Harveys Casino Resort on their acquisition of Pinnacle Entertainment. Notice was given that applications for the Greyhound Promotion Fund were due in the Commission's Des Moines office by August 5, 2000.

August 17, 2000 – The Commission met at the Best Western Frontier in Clinton, Iowa. The Commission approved the Notice of Intended Action amending Chapters 1 and 3, rescinding existing Chapter 7 and replacing it with a new Chapter 7, and adopting new Chapters 11 and 12. The Commission also approved the final adoption of changes eliminating Chapter 12, and combining it with Chapter 8, and renumbering the current Chapter 13 to Chapter 6. The Commission heard reports from Mayor Ann Hutchinson on the master plan for downtown Bettendorf, and BRC on the proposed remodel of exterior entrances. Wes Ehrecke, Executive Director of the Iowa Gaming Association, provided an update on the Association's recent activities. Isle of Capri gave a presentation on the proposed acquisition of The President Riverboat in Davenport, Iowa.

<u>September 15, 2000</u> – The Commission met at the University Park Holiday Inn, West Des Moines, Iowa. The Commission approved the following items: the license renewal

applications for Dubuque Racing Association (DRA), Racing Association of Central Iowa, and IWRA to operate the Dubuque Greyhound Park & Casino, PMR&C and BRC respectively; Harveys Casino Resort's acquisition of Pinnacle Entertainment; and Isle of Capri's acquisition of The President Riverboat in Davenport, Iowa. The Commission also approved rescinding the current Chapter 10 of the Administrative Rules and the final adoption of the new Chapter 10.

October 12, 2000 – The Commission met at the Best Western Pzazz in Burlington, Iowa. The Commission approved the final adoption of amendments to several rules, three new chapters and rescinded Chapters 22, 24 and 26. The Commission approved the renewal of the racetrack enclosure gambling licenses for DRA, IWRA, and RACI. Mr. Ehrecke provided an update on the Iowa Gaming Association's activities.

November 16, 2000 - The Commission met at the University Park Holiday Inn in West Des Moines, Iowa. The Commission heard a report on the proposed America's River Project in Dubuque, Iowa. The Commission approved the following requests from licensees: season approvals submitted by BRC for the 2001 Race Meet, and financial restructuring and acquisitions for Ameristar.